

Your Home Business Tax Deductions

If you operate your own home business, then you are probably aware that there are a few drawbacks to being self-employed, just as there are a few drawbacks to any major decision you do in your life.

Being an entrepreneur and self-employed often means that you lose some workplace benefits, such as group insurance, sick leave, paid vacations, etc. However, the government does provide solace to those who have an entrepreneurial spirit, and this solace comes in the form of tax breaks, because you, the home worker, small business owner, are the largest source of employment in America.

There are many possible tax deductions for home businesses; you simply have to be well-informed about them to make use of them.

There are good reasons for you to go through the trouble? Because you'll earn more money that way. By knowing all the possible tax deductions, and more, that you can take, you'll come away with more of the benefits that your business generates, instead of getting cleaned out by the government. When it comes to taxes, make no mistake about it – knowledge is power. The government needs you to have this power to keep it working also so they will help you when they can.

If you run a home business, some of the possible tax deductions for you are:

Home office costs, such as those that involve office repairs and maintenance. Expenses racked up through janitorial services, for example, when shown to be needed by the business, are deductible, as are waste management and garbage disposal services. Business furniture and equipment may also qualify for deductions in their year of purchase, as long as the amount does not exceed a certain limit.

Utility costs, such as electricity and water. The deduction applies to those areas that are used regularly and exclusively for business.

Telephone costs. This only applies if you have a separate line for use in business. A single line that is used for both business and personal calls does not qualify. However, if you make long distance calls and/or incur fax transmission fees, those expenses are deductible no matter which type of phone you use. You need to make honest percentage estimates of how much is used and keep good records based on your bills.

Rent or lease payments. A percentage of your rent, lease, or mortgage interest payments can be deductible provided that you are using the property regularly for business purposes.

Employee wages and employee benefits. If you are an employer of labor, you can deduct a portion of your salary and benefit expenses. Employee education and training costs are also deductible.

Education costs necessary in your line of work. This applies especially to professionals. Those who need continuing education to maintain their expertise may deduct the cost of this education from their tax returns.

Real estate taxes on business property. A portion of real estate taxes are considered deductible by the IRS.

Personal expenses. Some personal expenses, when conducted in conjunction with business affairs, are deductible. A portion of your automobile expenses, meal allocations, and travel and entertainment costs may qualify for deduction, as long as they are related to your business.

A final reminder: Try to maintain as accurate records as is possible. Document your deposits, income, expenses and deductions. This way, you will have proof validating your tax deductions. Because tax laws are complex and often changed, it is often advisable to consult a professional. This will allow you to claim as many possible tax deductions for home businesses as you can. Keep a stenographer's notebook with separate pages for every deduction you feel you might have coming. Even if you don't know if it is a deduction, for now, record it.

The above is very powerful. If you think something might be a deduction, write it in your notebook.

Have a CPA do your taxes for you. They cost more but you will get more back and have less trouble with the IRS. They will find deductions you did not know you have coming from your possible list of deductions and they will also take off deductions you do not have coming. Some things they will be able to carry over for years in the future.

Your CPA will give you tips that will save you time and money and make your business better. They have software that will make your tax work far

more efficient. If you get called in for an audit your CPA will do all the talking and you say nothing. I let the IRS call my CPA, regarding my taxes, if they have any questions.

You are less likely to get audited directly by the IRS because your CPA has a reputation to keep up and will keep your taxes straight. You will even save the IRS some money because they know your CPA will do better tax work than you.

Overseas tax services cannot go to an audit with you. This is a very important benefit of a CPA for you. Even though their charges are less they cannot know your business as well as your CPA to help you with many problems and questions. Buy Americans when it comes to taxes.

If you are going to be an entrepreneur the CPA will serve you better than an automatic tax software program and yes the software programs will result in mistakes. By the way, I am not a CPA or trying to sell you any tax services.

references; irs, cpa and 40 years of tax record business experience

About the Author

James M. Lowe writes original articles, press releases, e-books, blogs and websites about home business opportunities.

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